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Inclusion or Dualization? The Political Economy of Employment Relations in Italian and Greek Telecommunications

Recent literature argues that trade unions in restructuring service industries have responded to the challenges of the post-industrial era by accepting different forms of labour market dualization. This article examines two case studies from Italy and Greece, in which unions adopted divergent responses to intensified market pressures unleashed by the liberalization of national telecommunications markets. In the Italian case, collective bargaining was successfully centralized, resulting in the inclusion of traditional labour market ‘outsiders’. In contrast, bargaining centralization failed in Greek telecommunications, leading to intensified dualization. These different paths of institutional change are explained as resulting from differences in ideological cleavages among unions and distinct legacies in employers’ associations.

Word Count: 9,993.

1. Introduction

Recent literature on institutional change in coordinated market economies focuses on common trends of labour market dualization, in which encompassing bargaining is eroded in favour of more narrow systems preserving institutional protections for traditional ‘insider’ groups. The global intensification of competition and shifts in employment from manufacturing to services have been broadly associated with more selfish union behaviour. Employers sought to encourage labour market deregulation as a response to increased competitive pressures. However, the outcomes of dualization are often attributed to the institutional reforms that were engineered by coalitions of trade unions with (social democratic) governments (Davidsson and Emmenegger 2013; Hassel 2014; Palier and Thelen 2010). According to this literature, unions tolerated dualization in services to protect their core membership in established industries. A related body of social pacts literature outlines the conditions that facilitated the reform of labour markets (Avdagic 2010; Baccaro and Lim 2007). These scholars argue, along similar lines, that trade unions consented to reforms towards greater labour market flexibility so that they could retain their institutional role in the policy-making process.

The present article departs from these analyses’ focus on the conditions under which different coalitions of interests result in intensified dualization. Instead, it examines the conditions that may enable an alternative path of coalitions that temper labour market dualization by bringing outsider groups under the protective umbrella of collective bargaining. In addition, contrary to the social pacts literature that has focused on unions’ concessions at the national level, it seeks to understand the

conditions that enable the establishment of inclusive bargaining institutions at the sector level.

In liberalized services sectors, such as telecommunications, this outcome appears least likely due to intense market pressures. Across Europe, telecommunications unions faced the challenge of either accepting labour market dualization or establishing new sectoral bargaining structures to integrate outsider groups working for new competitors and their subcontractors (Doellgast *et al.* 2009; Doellgast 2009; MacKenzie 2009). This has been particularly challenging in a sector where there is one big former monopolist with different regulatory and labour cost interests to new competitors. The leading case of this article focuses on the centralization of bargaining in the Italian telecommunications industry, which extended coverage to outsiders and tempered dualization. This presents a puzzle, as based on dualization theory we would expect liberalization to intensify the cleavages between insiders and outsiders. I seek to explain this outcome, with a view to answering the question: under what conditions are unions and employers able to overcome differences in interests, and form the coalitions necessary to establish centralized bargaining? The empirical puzzle is constructed in tandem with the Greek telecommunications case, which faced similar pressures, but in which dualization intensified. Although, similar to Italy, Greece has a centralised bargaining system at the national level, the Greek telecommunications sector retained a decentralised bargaining structure.

The comparison between these two cases helps to shed light on the conditions that may explain different trajectories of institutional change at sector level, within similar national models. It is argued that the observed variation is explained not only by the

different strategic choices made by trade unions, which are traced to the different role of ideology, but also by the variable institutional legacies in employer's associations, which offered different capacities to intermediate the diverse business interests.

The remainder of the article is structured as follows. The following section reviews the relevant political economy literature on dualization and social pacts, as well as the employment relations' literature on the telecommunications industry, specifying the conditions under which previous literature would predict dualization or centralization. The third section outlines the research design and data sources for this study. The fourth section places the cases in their wider institutional and historical context at the national and sectoral level. This historical perspective helps to tease out the role of path-dependent factors in explaining the different outcomes in the two cases. In the fifth section, the narrative traces the process of change, outlining the pressures from liberalization and privatization, and shows how the interplay between actors' strategic choices and institutional legacies shaped distinct paths of change. The final section interprets the diverse outcomes using a historical perspective and clarifies the contribution of this article to recent debates.

2. Literature Review

2.1. The Political Economy of Institutional Change: Dualization and Social Pacts

Much of the literature on institutional change in advanced economies tries to explain variation in patterns of institutional erosion and deregulation at the nation-state level (Hall and Thelen 2009; Howell and Givan 2011). The global intensification of competition and the shift in employment structures towards services provided pressures for institutional convergence, but commentators agree that wholesale

liberalization was averted in non-liberal market economies (Hassel 2014: 76; Howell and Givan 2011: 250). In coordinated market economies, employers' interest in flexibilizing labour markets is highlighted as the trigger of structural shifts. However, the outcomes of dualization are often attributed to coalitions between trade unions and social democratic parties, as both sought to defend their core members and key political constituencies (Hassel 2014: 70; Palier and Thelen 2010: 127). The consent of trade unions to reforms towards greater labour market flexibility was generally exchanged for the maintenance of their organizational resources and their institutional role in the policy-making process (Davidsson and Emmenegger 2013: 341).

A related body of social pacts literature outlined the conditions that facilitated these shifts in labour market regulation. Interestingly, the institutional changes that took the form of national social pacts represented the simultaneous centralization of bargaining and dualization of labour markets. The literature on social pacts fleshed out the conditions that led to the neo-corporatist revival, pinpointing the role of electorally weak governments (Avdagic 2010: 630; Baccaro and Lim 2007: 30; Hamann and Kelly 2007: 975), a shared sense of a crisis (Avdagic 2010: 631), and moderate union leadership (Baccaro and Lim 2007: 38). While our argument takes up these conditions as important for national social pacts, it suggests that they are unable to fully explain inclusive bargaining institutions at the sector level. This analysis often excludes the role and structures of employers, because their interests are largely taken as given in the form of pressures from globalization and international competition. Martin and Swank (2012) emphasised the role of encompassing peak employers' associations in the construction of welfare and skill-formation systems in coordinated market economies. Nevertheless, employers' potential support for national institutions that

provide skills or unemployment insurance is markedly different from their potential to support sectoral bargaining agreements. That is because the former produce ‘win-win’ outcomes, whereas the latter are placed at the heart of the distributive conflict.

In the past, collective bargaining could be seen as a ‘win-win game’ and employers generally cooperated with these arrangements, as long as it provided a degree of market control by taking wages ‘out of competition’ while reducing transaction costs (Marginson *et al.* 2003: 164). Centralized bargaining stabilized and standardized labour costs across an industry, especially under conditions of labour scarcity. Additionally, the institution maximized employers’ bargaining power in dealing with trade unions’ mobilization and protected them from any ‘whipsawing’ tactics (Zagelmeyer 2005: 1627).

In recent years, the integration of product markets and the intensification of competition has reshuffled the cards on the table (Marginson *et al.* 2003: 165), contributing to a trend towards decentralization of bargaining across industrialised countries (Katz *et al.* 2004). Firms’ interest in keeping a floor on wages through bargaining agreements appeared to be weakening, as persistent unemployment allowed downward pressure on wages. Additionally, reforms of labour market regulation towards more flexibility enabled firms to respond to demand fluctuations through strategic use of labour market segmentation. At the same time, trade unions in established industries could accept some dualization in their sectors as long as this acted as a ‘flexibility buffer’ to their core members (Benassi and Dorigatti 2014: 18). There is perhaps no other industry that better reflects those shifts brought by globalization and international competition than the telecommunications industry. The

next section considers the employment relations' literature on the diversity of responses in telecommunications.

2.2. Employment Relations in Telecommunications Industries

The telecommunications industry is exemplary of a 'double blow', whereby regulatory and ownership change coincided with technological change (Sako and Jackson 2006: 347). In liberal market economies the path of dualization and decentralised bargaining in this sector is not surprising as it follows national trends. For instance, the Australian telecommunications sector oscillated between company agreements in Telstra and non-union individual contracts in its competitors (Ross and Bamber 2009: 35–39). Even in the case of Ireland, which experienced a resurgence of social partnership at the national-level up until the crisis (Doherty 2011), there was no attempt to centralize bargaining in telecommunications (MacKenzie 2009: 547).

More surprisingly, there has been a wide variation of union responses in coordinated market economies. In Germany, the conglomerate union ver.di attempted to centralize bargaining at sector level, but it was unable to do so (Doellgast 2009: 8; Holst 2014: 10–12). In some countries, such as Denmark and Austria, a sectoral agreement was established; however, its coverage was often variable (Doellgast *et al.* 2013: 13). In France, the state supported collective bargaining centralization via mandatory extension of agreements (Doellgast *et al.* 2009: 375). Overall, the institutional paths in the global and European telecommunications industry appeared diversified (Batt *et al.* 2009: 468–469; Doellgast *et al.* 2013). This literature emphasized how the historical construction of interests and past collective bargaining structures hampered

unions' ability to shape inclusive bargaining institutions (Doellgast 2009; Doellgast *et al.* 2013; Holst 2014).

The present article suggests that - in addition to past bargaining structures - the role of ideology is an important factor in the construction of interests and the strategic choice of unions to either pursue inclusion of outsiders or accept dualization. It also contributes to these debates by examining institutional contexts that are categorically different from either coordinated or liberal market economies. Italy and Greece represent cases of 'State-influenced Market Economies' in which the role of the state remains important in the economy (Schmidt 2008), even after its withdrawal from ownership and regulation of particular industries. Finally, it emphasises the role of past institutional legacies in employers' structures as an independent condition. The next section elaborates on the research design of this study.

3. Research Design and Data Sources

The article is structured as a comparative and historical case study (Mahoney 2004). The case selection is purposive and theoretically motivated, and the Italian and Greek telecommunications sectors are chosen because they represent similar cases with different outcomes. The two cases share initial starting points, since both countries' telecommunications sectors started in the early 1990s as state-owned monopolies, with traditions of strong unions and company-level bargaining. The industries opened up to competition due to the European Union's liberalization policy. The change in the market context represented a similar challenge to unions and employers in both sectors, and the entrance of new competitors resulted in a diversity of contractual arrangements and segmentation practices. Nonetheless, the institutional paths with

respect to collective bargaining centralization differed sharply. This suggests that extreme selection bias is avoided, because the selection allows ‘for at least some variation on the dependent variable’ (King *et al.* 1994: 129). The overall timeframe of the case studies considers the period between 1995 and 2008. The narrative sketches the common pressures coming from intensified competition in the market and ownership change through privatization. The case studies suggest that there is co-variation between explanatory factors and outcomes.

The case studies in this article rely on secondary sources and 18 key informant interviews that ranged from one hour to three hours in length. The key informants included representatives from Italian and Greek sectoral and national trade unions, business associations, the political arena, as well as industry experts. Field visits took place in Rome (May and November 2010) and in Athens (April-May and August 2011). Most of the interviews were tape-recorded, following oral consent, and a commitment to quote anonymously. The interview instrument was a semi-structured protocol with open questions. The validity and credibility of data from interviews was enhanced via triangulation. Thus, the case studies rely also on a wide range of documents, including European Industrial Relations Observatory (EIRO) reports, European Industrial Relations Review (EIRR) articles, as well as Italian and Greek newspaper articles. In the case that the source is written in a language other than English, the translation is the author’s.

4. The Institutional and Historical Context

4.1. The national institutional context in Italy and Greece

The Italian and Greek systems of employment relations shared some important similarities that relate to the framework governing collective bargaining agreements and the historically ideological nature of trade unionism. Still, the two systems differed in the institutional structure of employers associations, while trade unions' ideological character evolved differently.

In particular, the resurgence of concertation in Italy started with the signing of the July 1993 Accord. The signatories included the three major union confederations (CGIL, CISL, UIL), the major employers' associations, including *Confindustria*, and the 'technocratic' government of Carlo Ciampi. The Accord reformed the collective bargaining framework, introducing a two-tier system: nation-wide sectoral bargaining and a second level of bargaining at the company or territorial level (Regalia and Regini 2004). The tripartite Accord of 1993 was followed by an era of concertation, which made Italy an exemplary case of 'a new kind of corporatism' (Baccaro and Pulignano 2011: 139).

The framework governing collective bargaining was similarly reformed in the Greek system of employment relations via Law 1876/1990. The 1990 coalition government, known as 'ecumenical', enacted the law with support from the peak labour confederation (GSEE) as well as the three major employers' associations (SEV, GSEVEE, ESEE). Thus, it is considered as equivalent to a social pact due to the wide-ranging support it enjoyed (Ioannou 2010). The main thrust of this Law formally introduced two levels of bargaining, nation-wide sectoral and a second level of bargaining at the company level. Finally, biennial national collective bargaining

setting minimum wages operated as a ‘functional equivalent’ to social concertation (Karamessini 2008: 49).

Additionally, the role of ideology played an important part in both Italian and Greek trade unionism. In Italy, the three main union confederations (CGIL, CISL, and UIL), had historically a strong dependence on political parties (*collateralismo*) (Vatta 2007: 207). CGIL was linked to the Communists; CISL linked to the Catholic/Christian Democrats; and UIL linked to the Socialists (Regalia and Regini 2004). In Greece, the representation of labour was unitary, with one peak union confederation (GSEE). Nonetheless, the ideological cleavages were internal, organised along competing union factions (PASKE linked with the socialists, DAKE linked with the centre-right party, PAME linked to the communist party). Political union factionalism in Greece survives up until today, however, the ideological divisions in Italy’s unions faded out over time.

The most important rupture with the past was a result of the political scandals in the early 1990s known as ‘*Tangentopoli*’. The traditional Italian political parties went into disrepute, and this contributed considerably to the breaking up of the organic links between the three major con-federal unions and the old political parties. The unions did not develop formal links with the new parties that entered the political arena. As a result, the acute political differences among the three union confederations were eased, and this political rapprochement (Baccaro *et al.* 2003: 47–48) favoured the resumption of centralised bargaining and social pacts.

The second important difference in the two employment relations systems relates to the institutional legacies in employers' associations. In Italy, *Confindustria* was traditionally the employer representative of the private sector, whereas *Intersind* was the employer representative of the public sector. *Intersind* was set up in 1958 so that it represents state-owned (IRI) firms in labour relations and its membership came from various economic sectors such as: metalworking, construction, food processing, communications, broadcasting, and transport. Following a political agreement in May 1994 between Romano Prodi (president of the IRI Group), Luigi Abete (president of *Confindustria*), and Agostino Paci (president of *Intersind*), *Confindustria* absorbed *Intersind* (EIRR, 1994; Negrelli, 1998). In sharp contrast, there was no equivalent employers association for public sector enterprises in Greece. The employers' associations were organised only in the private sector: SEV (*Hellenic Federation of Enterprises*) traditionally represented big industrial firms, GSEVEE (*Hellenic Confederation of Artisans*) represented small-medium artisan firms, and ESEE (*National Confederation of Greek Commerce*) represented small-medium commercial firms. Collective bargaining was typical in public sector enterprises, but managers acted as representatives of the employers' side and held the negotiations. When the public sector enterprises changed ownership status, the private sector associations did not fill the representation gap.

4.2. The context of employment relations in Italian and Greek Telecommunications

In both the Italian and Greek telecommunications sectors, collective bargaining was an established practice at the company-level, due to the monopoly structure of the industry (Negrelli 1996; Zambarloukou 2010). The three major con-federal unions

have been active in Telecom Italia: FILPT-CGIL (*Federazione Italiana Lavoratori Poste e Telecomunicazioni*), SILT-CISL (*Sindacato Italiano Lavoratori Telefonici Stato*), and UILTE-UIL (*Unione Italiana Lavoratori Telefonici*). The Telecom Italia unions accepted several compromises with regard to flexibility and technological change in company-level agreements in the early 1990s, thus preparing the ground for Telecom Italia's privatization (Negrelli 1996).

More specifically, the major challenge in the 1990s was how to downsize and restructure Telecom Italia, and thereby, make its privatization easier. The negotiations between the state-employer association (Intersind) and the three TI unions were lengthy, but resulted in the 1995 agreement. The latter provided that restructuring would take place through voluntary redundancies, while it introduced four types of flexibility: teleworking, geographical mobility, part-time working, and franchising. Teleworking was especially facilitated by technological advances and would help alleviate the problem of having some overstaffed divisions, while other divisions were understaffed. Incentives for geographical mobility complemented this measure, providing bonuses for workers assigned to other workplaces on the basis of company needs or taking the option to shift into part-time contracts. Finally, a very innovative measure was to transform some of the former employees into entrepreneurs, by offering them the opportunity to open a franchised shop selling Telecom Italia products. In the 1996 negotiations the employers' side pushed for further introduction of flexibility in work organization, on the basis that 'competition in the telecom market means that existing "privileges" are no longer affordable' (EIRR, 1996). The deal reached between Intersind and the telecoms unions included a revision of the

grading system towards flatter management hierarchies, working time flexibility, and forms of teleworking for different staff grades (EIRR, 1996).

The reorganization of work towards greater flexibility did not only take place inside the privatized Telecom Italia, but also within the new entrants. Infostrada, which was Telecom Italia's main competitor, introduced several types of flexibilities. In the 1998 company agreement Infostrada agreed with the metalworkers' unions (FIOM-CGIL, FIM-CISL and UILM-UIL) on a plan to recruit about 1300 workers for its call centres. The two sides agreed on a high degree of flexibility, including fixed-term part-time contracts, apprenticeship/work-entry contracts, incentive and performance related-pay, minimum service during strikes, Sunday working and operation of the 24/7 shift system (Pedersini, 1998). The agreement was received with satisfaction from the unions' side, despite the increased levels of flexibility.

Following the opening up of the sector to competition, the three Telecom Italia unions broadened the remit of representation by merging with other unions and transforming into sector-level associations. In 1997 CGIL's affiliate union FILPT changed its name into SLC (*Sindacato Lavoratori Comunicazione*) and merged with the separate postal union and the information/broadcasting union. CISL's affiliate union SILT was also renamed FISTEL (*Federazione Sindacale della Informazione dello Spettacolo e delle Telecomunicazioni*), covering also employees in the telecommunications, IT and broadcasting sectors. Similarly, UIL's affiliate UILTE was renamed UILCOM (*Unione Italiana Lavoratori Comunicazione*). Thus, the representation of 'outsiders' in new competitors emerged through a top-down process, as the sectoral unions

sought to recruit members in new competitors and limit the use of fixed-term and temporary agency workers throughout the company (see section 5.2 below).

In the Greek telecommunications sector, OME-OTE (*Federation of Employees in OTE*) was established in 1982 as an enterprise union and affiliated to the peak-level GSEE. It represented all OTE employees with permanent employment relationships and regularly negotiated biennial company agreements (Zambarloukou 2010). Union factionalism along ideological lines was present in OME-OTE. Because of its erstwhile status as a public sector enterprise, employees in the company retained ‘permanency’, a life-course tenure similar to the one held by civil servants (Christopoulou and Monastiriotis 2014). Although the privatization process gradually altered the company’s ownership status, this job protection remained for core employees, and the company froze its recruitment on open-ended contracts. Instead, all new hires in OTE and other subsidiaries (e.g. in the printing and call-centre subsidiaries Infote and OTEplus) relied heavily on recruitment through fixed-term contracts, subcontracting and agency staff. Until the mid-2000s OME-OTE unionists were successful in defending this job-for-life tenure, but at the same time, a peripheral workforce developed rapidly in the sector. This process resulted in a pattern of extreme labour market dualization between insiders in OTE and outsiders in new competitors.

The representation of ‘outsiders’ in Greek telecommunications emerged through a bottom-up process. In 2005 a group of employees managed to set up a company-level union in WIND Greece (PASE-TIM/WIND - *Pan-Hellenic Union of TIM/WIND Employees*), and subsequently unions were established in mobile telephony Vodafone

(*PASE-Vodafone - Pan-Hellenic Union of Vodafone Employees*) as well as in fixed telephony company Forthnet. Additionally, employees with spurious self-employment contracts (*blokaki*) in the informatics and telecommunications sector had organised themselves around a sectoral-occupational union, the SMT (*Union of Waged Technicians*).

The representation of telecommunications firms in business associations also evolved differently. *Federcomin* (*Federazione delle Imprese delle Comunicazioni e dell' Informatica*) was established in Italy in 1998 and absorbed some of the personnel and functions in *Intersind*. While new telecommunications firms in the sector became members of *Federcomin*, the association lacked the legal competence to negotiate wage agreements with trade unions. *Federcomin* became the federation representing 'network services' i.e. telecommunications, transport, road communication, and broadcasting. This incorporation was seen as a necessary step in the large-scale privatization process that was taking place in Italy; it re-affirmed the government's resolve to proceed with privatization, but also helped to expand *Confindustria's* membership and influence into services sectors, which were up until then dominated by state ownership (EIRR, 1994). The most important implication of this change was that *Confindustria* was able to bargain on behalf of its telecom members from the start, even though there was no sectoral association. As we shall see in the next section, *Confindustria* finally established the first telecom employer association ASSTEL (*Assotelecomunicazioni*) on 29 November 2002 conferring the legal competence to represent members in labour relations issues.

In contrast, there was no employers' association to represent firms in Greek telecommunications (Kretsos, 2007). The first business association in the sector was SEPE (*Federation of Hellenic Information Technology & Communications Enterprises*), which was established in 1995, and aimed at influencing the technological and regulatory aspects of the market. The majority of firms that constituted the founding members came from the information technology sector. By the early 2000s, OTE and the large fixed and mobile telephony companies became members of SEPE. Despite the enlargement of membership to include telecommunications companies, the logic of interest representation that was enshrined in the association's statute remained narrow, focused on lobbying for regulatory and technological issues. The full opening up of the market in 2001 and the entry of new competitors triggered the creation of another business association, SATPE (*Greek Licensed Telecommunication Providers Association*), which was established in 2003. This association was the initiative of the smaller telecommunications operators, which were given licences to offer fixed-telephony services over OTE's last mile of the network. The association's main function was to represent the interests of its members in the implementation of European Union regulation with regard to liberalization and acted mainly as a lobbying group *vis-à-vis* the national regulator, EETT.

5. Liberalization and Collective Bargaining in Telecommunications

5.1. Common Pressures: Liberalization and Privatization

The liberalization process allowed the entrance of new competitors in both Italian and Greek markets. The first company to compete with Telecom Italia in the fixed network was Albacom, which was established in 1995 and was later acquired by BT Italia. In 1998 the Olivetti Group established the fixed telephony subsidiary,

Infostrada, which was acquired by Wind two years later, when Olivetti took over control of Telecom Italia through a hostile takeover. Finally, Teletu was established in 1999 and was acquired by Vodafone in 2010. The sector's independent regulator, AGCOM, steered the competitive pressures in the market. It followed a rather restrictive tariff policy for Telecom Italia, allowing new entrants to compete for services using the 'last mile' of the fixed network infrastructure, and preventing Telecom Italia from abusing its dominant position (Sacripanti 1999). The regulatory impact contributed to a rapid decline in Telecom Italia's market share, dropping from 100 per cent in 1997 to 65 per cent in 2008 (European Commission 2000; European Commission 2009).

The intensification of competition is similarly observed in the fixed-telephony segment of the Greek market; however, with some delay. The Greek government managed to negotiate a three-year extension with the European Commission, and full liberalization was completed in 2001. The independent regulator, EETT, afforded the new players to erode OTE's monopoly position and the policy sought to prevent OTE from applying a price squeeze upon its competitors (Pagoulatos and Zahariadis 2011: 18). The Greek electricity company entered the fixed telephony market via Tellas, in a consortium with the Italian WIND. Additionally, two major Internet service providers (Forthnet and HellasOnLine) took advantage of their infrastructure to offer fixed telephony services. Several other new start-up companies (e.g. Lannet, Telepassport, Teledome, Altec Telecoms, and Vivodi) entered the market. Thus, OTE suffered a steady decline in its market share, from 100 per cent in 1997 to 71 per cent in 2008 (European Commission 2000; European Commission 2009). The business strategy of the new firms was very much focused on low-cost products and services, leading to a

situation of ‘cut-throat competition’ in the product market. Although the new subscribers’ base expanded rapidly, the price wars in conjunction with the cash-flow problems pushed many firms out of the market. By the late 2000s the smaller providers merged (e.g. Vivodi with OnTelecoms) or made strategic alliances with larger firms (e.g. ‘Hellas On Line’ with Vodafone) so that they survive the intense competition (Kathimerini, 2006; 2009).

Although the Commission’s liberalization agenda was responsible for opening up the markets, the privatization of the incumbents was on the agenda of governments in Italy and Greece. The consensus on privatization was based on the common goal of raising funds so as to reduce the national debt (Thatcher 2007: 195). Private investors took over control of Telecom Italia in 1997 under Romano Prodi’s centre-left coalition government (Florio 2007: 3). By 2003 Telecom Italia was fully privatized (Doellgast *et al.* 2013: 8). The privatisation of OTE was completed in 2008, when Deutsche Telekom acquired 25 per cent of OTE and agreed with the Greek government the right to appoint the CEO. The acquisition of OTE by DT was exceptionally controversial, as it was engineered by the Greek government so as to avoid a hostile takeover (see Anonymous). By 2012, the share of DT increased to 40 per cent, while state ownership was brought down to 10 per cent.

Overall, both Italian and Greek telecommunications sectors faced similar changes since the mid-1990s. The sectors opened up to competition due to the European liberalization requirements; and the ex-monopolies went through the process of privatization. In both cases this resulted in intense competitive pressures and labour

market segmentation. Nevertheless, the institutional paths in collective bargaining diverged significantly.

5.2. The Success of Bargaining Centralization in Italian Telecommunications

The competitive pressures unleashed after liberalization and privatization led to a requirement of restructuring and downsizing through redundancies in the incumbent Telecom Italia. In negotiations over downsizing in 1995, the employers' side argued that the changing market context and particularly 'competition in the telecom market' necessitated radical changes (EIRR, 1996). Although the trade unions accepted the inevitability of liberalization and privatization, they shared a common strategic objective for the sector: to centralise bargaining *via* a single sectoral contract.

The unionists from all three confederations in Telecom Italia were resolved to use the incumbent's wage agreement as the foundation for a single contract in the sector and extend it to new operators (La Stampa, 1996). As one informant noted:

'The three confederations shared the strategy of extending the Telecom Italia contract across the sector.' (Interview, SLC-CGIL unionist 9, 25/11/10)

Nevertheless, this strategic choice alone was not enough to lead to the centralization of bargaining, and this institutional change was neither easy nor straightforward. Following the liberalization of the market, the bargaining arrangements across the sector appeared fragmented. Telecom Italia had a rather generous wage agreement that covered employees across the group; Infostrada applied the less generous metalworking sector agreement; Wind applied a special agreement; and finally, other smaller companies were not bound by any agreement (Pedersini, 2000). The three Italian labour confederations' (CGIL, CISL, and UIL) shared the fear that:

‘...the combination of multiple bargaining arrangements with high competitive pressures would lead to a ‘race-to-bottom’ for working conditions (Interview, CISL unionist 3, 25/5/10).

The fragmentation in bargaining arrangements reflected partly past union structures that inhibited the centralization of bargaining, similar to cases like German telecommunications (Doellgast *et al.* 2009). Indeed, new firms in Italian telecommunications emerged from the manufacturing (Olivetti) and electricity (ENEL) sectors. Thus, the metalworkers’ unions organized the employees in Infostrada and Omnitel (later Vodafone) and the electricity’s unions organized the employees in WIND. Still, an important difference with cases like Germany is that even in the new competitors, the unions were part of unitary workplace structures known as RSUs (*Rappresentanza Sindacale Unitaria*). Indeed, as an informant noted:

‘The RSUs were established in all new enterprises, such as WIND and Vodafone, and they elected representatives of all workers without exclusion’ (Interview, SLC-CGIL unionist 9, 25/11/10).

RSUs were a novel institutional structure, which was devised in the July 1993 Accord, and provided that two thirds of their members would come from direct elections among employees, while one third would be appointed by the con-federal unions. This institutional structure appeared extremely important, because it ensured that any ideological or organizational differences would not get in the way of unitary representation in new firms. In addition, the three con-federal unions (CGIL, CISL and UIL) resolved jurisdictional issues through consultations, and the new sectoral telecommunications unions took over representation from metalworker and electricity unions. Finally, the con-federal unionists engaged into organizing campaigns in firms where there was no union active. As one informant noted:

‘In the new enterprises in which there was no RSU previously, we visited the different workplaces and asked the workers to become members of our union’. (Interview, SLC-CGIL unionist 9, 25/11/10)

Overall, the strategic choice of unions to centralize bargaining was combined with organizing campaigns, restructuring existing union structures and tapping into the unitary workplace structures of RSUs. As mentioned above, the initial strategy of the TI trade unions was to put pressure for the extension of the Telecom Italia agreement across the sector, but this proved to be too ambitious. As one informant noted:

‘The new enterprises did not want the extension of the TI contract...For Telecom Italia the key challenge was to safeguard industrial peace during redundancies...For the new enterprises the key concern was to increase employment...’ (Interview, SLC-CGIL unionist 9, 25/11/10)

Nonetheless, increasing employment while applying the Telecom Italia wage structures was very costly and the new competitors refused the extension of the TI contract. Instead, smaller firms voiced their preference for decentralized firm level bargaining (Paparella, 2000). The divisions in the employers’ camp were stark. Telecom Italia and the other main players (such as Vodafone and Wind) wanted a contract, but the new competitors were unwilling to pay the generous terms that Telecom Italia could afford, whereas the smaller firms did not want a sectoral contract at all.

Faced with these divisions, the unions’ strategy was to focus their pressure on two fronts: Telecom Italia and the peak-level business association Confindustria. Telecom Italia was the larger employer, whereas Confindustria had the legal competence to represent member firms on the bargaining table due to its earlier agreement to absorb Intersind. In one important tactical move, the sectoral unions refused to negotiate a new company agreement with Telecom Italia, unless collective bargaining was first centralized covering all employees in the sector (La Repubblica, 1999). The unions pursued meetings with the CEO of Telecom Italia, to pull the strings in Confindustria

and other firms. Indeed, after meeting with the trade unions in July 1999, the CEO of Telecom Italia, Roberto Colaninno, agreed to help the unions to get a single contract in the industry. Colaninno characterized this choice as ‘essential and decisive’ adding that: ‘I am ready to personally sit at the bargaining table. I fully agree with the unions; it remains to overcome plenty of resistance from various interested companies’ (La Stampa, 1999).

Although union pressure was effective in getting consent from the larger employer, there was still resistance from smaller firms. This suggests that although firms were faced with union pressures, this could not lead automatically to the centralization of bargaining. Instead, Confindustria played an important role in balancing out the diverse business interests. The employers association recognized that there was a deadlock that had to be overcome. As an employer representative noted:

‘...the simultaneous application of different wage agreements in the sector created conditions of *unfair competition* [emphasis added] and Confindustria had to act upon this (Interview, ASSTEL representative 3, 22/11/10)

Admittedly, Telecom Italia suffered the most from this ‘unfair competition’, as the new competitors enjoyed a more flexible cost structure. Standardizing the wage costs across the industry would release some of the pressure on Telecom Italia, but there was the prospect of inhibiting the flexibility that smaller firms required. In the process of intermediating the interests of large and small firms, Confindustria’s overarching role was to strike an acceptable compromise with the unions and then convince firms to comply with it. This compromise took the form of the first sectoral agreement, which was unusually signed by peak-level associations. A business informant summarises the motives of employers in consenting to such an agreement:

‘...the agreed minimum wages accommodated the new and smaller companies in the sector, which could also benefit from social peace’ (Interview, ASSTEL representative 3, 22/11/10).

The first sectoral agreement for the telecommunications sector was signed on 28 June 2000 between the three con-federal unions (CIGL, CISL, UIL) and Confindustria (EIRR, 2000a). It provided for minimum wages and conditions across the sector, and a component of ‘negotiated flexibility’ (La Stampa, 2000; La Repubblica, 2000). The compromise involved an increase in flexibility, in exchange for training and reduction of total working time. The increase in flexibility was dubbed as ‘just-in-time working’ (*flessibilità tempestiva*) (EIRR, 2000a). Management could request from labour representatives - at a very short notice (48 hours) – to alter working time schedules so as to meet increased needs during busy periods. The agreement also regulated the extent of atypical employment in the sector. The firms were allowed to hire employees up to 15 per cent on fixed-term contracts and up to 15 per cent agency staff; in total, no more than 30 per cent of the overall workforce in the South of Italy (*Mezzogiorno*). In Central and Northern Italy, the limits were up to 13 per cent for each group, and in total no more than 26 per cent of the workforce (Paparella, 2000; EIRR, 2000a). A further increase might be permissible, but it had to be agreed through company level bargaining. The atypical contracts were allowed to deal with skills and labour shortages during periods of holidays, training leaves, busy times or peaks of activity due to new orders or to the launch of a new product. In other words, flexibility was instrumentally used to meet fluctuations in demand. Finally, the agreement provided for the operation of job-sharing. For both unions and employers the common ground was to ensure ‘fair competition’ in the sector. As one of the key trade union negotiators noted:

‘The telecommunications market was liberalized and the competition was intense because of the new entrants. The new firms increasingly acquired market shares ‘crashing’ Telecom Italia. Therefore, the aim of the contract between Confindustria and us was to ensure fair competition and refocus competition on services quality and prices, rather than on wages.’ (Interview, CISL unionist 3, 25/5/10)

The unions appeared pragmatic in accepting some flexibility in employment practices, since their priority was to increase employment levels and bargaining coverage for the whole sector whilst avoiding a race to bottom in wages. Telecom Italia employees retained higher wages in their company contract, but the sectoral unions ensured increased bargaining coverage. In the enterprise agreements of Telecom Italia, downsizing was agreed with the aid of a variety of instruments, including mobility procedures linked with ordinary ‘wage guarantee funds’ (*cassa integrazione guadagni*) replacing part of the salary for those close to retirement (EIRR, 2000b; Pedersini, 2002). Overall, the three con-federal unions were united on the basis of representing the interests of employees in the sector, rather than core members in Telecom Italia. The historical ideological differences between con-federal unions were put aside and as one labour informant noted:

‘...when we are talking at the sectoral level, it’s easier to reach an agreement... We respect each other’s differences, organizational and ideological, and there is no hegemonic union. Although organizational unity is not easy, the unity is practical, *unità operativa*’ (Interview, CISL unionist 3, 25/5/10)

Nevertheless, this one-off sectoral agreement between the three con-federal unions and Confindustria would not last for long, unless sectoral associations were established on both sides to ensure compliance. Confindustria took the initiative to organize telecommunications companies around a new employers’ association (ASSTEL), which was founded in November 2002 (Muratore, 2007). The smaller

firms were convinced to become members of the association, to avoid the prospect of continuous judicial disputes. Indeed, as one business informant remarked:

‘...their organized employees could go to the Italian courts and ask for comparable wages with those in Telecom Italia. In light of this prospect, all telecom firms joined the association.

(Interview, ASSTEL representative 3, 22/11/10)

The decision-making processes in ASSTEL took into account both Telecom Italia’s and new competitors’ interests. The association was not dominated by the ex monopoly Telecom Italia, and the president came from one of the new firms (initially FASTWEB, and afterwards Vodafone), balancing the different regulatory interests of Telecom Italia and the new competitors.

On 3 December 2005, the three sectoral unions and ASSTEL signed another sectoral agreement, thus, solidifying the centralization of collective bargaining (Della Torre, 2006). The membership of ASSTEL was enlarged to cover several firms in the information and technology sector. The permitted level of employment on atypical contracts was also regulated as in the previous agreement. In the face of this, even the Minister of Welfare of the centre-right Berlusconi government, Roberto Maroni, expressed regret at the ‘desire of the parties to reduce flexibility’ (Della Torre, 2006).

As the key informant explained:

‘For Telecom Italia the key challenge continued to be the downsizing of the company through different types of ‘social shock absorbers’. For the new enterprises the key concern was to stabilize employment and reduce labour turnover’ (Interview, SLC-CGIL unionist 9, 25/11/10)

Dualization was further averted when the ‘outsiders’ (call-centre employees) were also included in the sectoral agreement. The unions reached a deal with the call-centre companies in December 2006, agreeing to convert existing ‘freelance contracts’ into

open-ended employment contracts for 6,500 employees (Santi, 2007). The result was that 97 per cent of employees in the main call-centre provider (Almaviva Group) would be recruited on the basis of an open-ended employment contract. Even more importantly, the call-centre companies were compelled to join ASSTEL and thereby, all workers would be covered by the telecom' agreement provisions. Overall, labour market dualization was tempered as the trade unions and employers extended coverage to employees in new competitors and call-centres.

5.3. The Failure of Bargaining Centralization in Greek Telecommunications

In contrast to the Italian case, the effort to centralize bargaining in Greece was marked by failure, and decentralized bargaining continued to be the norm. OME-OTE was clearly the stronger trade union capable of leading a similar campaign to that of Italian telecommunications unions. But the unionists in OTE kept this item very low in their agenda, and their strategic choice was to focus on enterprise bargaining. OME-OTE followed an enterprise-bargaining approach signing company agreements with OTE's management (Zambarloukou 2010: 244). The agreements in the 2000s incrementally negotiated the terms of internal restructuring and ensured downsizing through voluntary early retirement schemes (To Vima, 2005). Additionally, unionists in OME-OTE were very much focused on disputes with the independent regulator (EEET) trying to stall liberalization (Pagoulatos and Zahariadis 2011), even organizing protests against the regulatory authority.

It was not until February 2006 that the demand for centralization of bargaining appeared in the agenda of the OTE union. The bargaining platform, finalized by the Executive Council of OME-OTE, included no less than 56 items, including the

demand to centralize bargaining with an industry-wide agreement covering all firms in the sector (OME-OTE, 2006). OME-OTE sent the bargaining platform only to OTE's management and the Ministry of Labour, reflecting the past bargaining norms. Hence, there was nobody on the other side to bargain for new competitors in the sector and the union did not have a clear strategy of how to pursue this demand. This indicates the importance of past bargaining structures, and contrasts sharply with the strategy followed by the Italian telecommunications unions, which not only threatened to exit the bargaining table with Telecom Italia, but also put pressure on the peak business association Confindustria.

The lack of resolve on the part of OME-OTE is also evidenced by the fact that there was no prior consultation with other telecommunications unions in the sector, as, for example, the new firm level union in WIND. More generally, the communication channels between OTE unionists and employees in new telecommunications firms broke down due to ideological cleavages. Despite the fact that OME-OTE amended its statute so that it is able to accept other organizations as members:

‘...it did require from prospective member associations to have at least 500 members in order to become an affiliate union (Interview, OME-OTE unionist 11, 27/04/11).

In fact, the only telecommunications union that was eligible to become a member was the socialist union in Cosmote, the mobile telephony arm of OTE.

As a result, the gap in employees' representation was filled 'bottom-up' with grass-roots unionization. Apart from the company union in WIND (PASE-TIM/WIND), employees established company trade unions in mobile telephony Vodafone (PASE-Vodafone), as well as in fixed telephony company Forthnet. Company agreements were eventually agreed in both cases. As an informant noted:

‘...we managed to have a company contract without any help from the largest union in the sector, and in the context of an anti-union climate from the side of the management’ (Interview, WIND unionist 13, 2/5/11).

The only initiative to centralize bargaining came from a rather small occupational union (SMT). SMT was established in 1999 with the aim of representing and organising engineers and technicians working in the information and communication technology sector. SMT was resolved to push for bargaining centralization, and held prior consultations with representatives from other telecommunications firms (Wind, Forthnet, and Vodafone). As a key informant suggested:

‘...we carried out a brief study to support the demand for a sectoral agreement. After a period of fertilization and consultation with colleagues in new telecom firms, we sent an invitation in 2008 to SEPE to start negotiations for a national telecommunications contract (Interview, SMT unionist 12, 2/5/11).

SEPE was one of the two business associations in the sector and responded with a rejection of this demand. As explained in the previous section, SEPE had a diverse membership, including information and communication technology sector firms, and was focused on regulatory issues, essentially acting as a ‘trade association’. As a business informant noted:

‘We were unable to respond to the demand to initiate discussions for a sectoral agreement, because our statute did not confer us with that power’ (Interview, SEPE representative 5, 30/8/11).

Thus, failed centralization is not only explained by past bargaining structures and OME-OTE’s strategic choice to focus on enterprise bargaining, but also by the absence of employer associability. Although the sector’s companies were organized into two business associations SEPE and SATPE, none of them possessed the legal competence to negotiate labour relations issues for its members.

This outcome might raise the question: why OME-OTE did not support SMT in pursuing a demand for centralization? The question is legitimate, given that centralization was part of OME-OTE's bargaining platform two years earlier. The explanation lies in the ideological cleavages between OME-OTE unionists and unionists in new competitors, including SMT. Only a minority within OME-OTE was really keen on centralization of bargaining. As an informant observed:

‘...the only reason why this demand appeared as one of the items in the platform, was to appease the smaller leftist political factions within OME-OTE’ (Interview, OME-OTE unionist 11, 27/04/11).

OME-OTE has been a stronghold of the centre-left (PASKE) and centre-right (DAKE) factions, which jointly controlled 10 out of 13 seats in the Executive Committee and 17 out of 22 seats in the Administrative Board. Reflecting this balance of power, the president of OME-OTE was customarily coming from the socialist PASKE, while the general secretary from the centre-right DAKE. Additionally, OME-OTE had closer ties and shared interests with other public sector unions (in postal sector, electricity, railways, etc.), rather than with the new unions of ‘outsiders’ in the telecommunications sector.

In conclusion, the deeper reasons that militated against a more sectoral approach are traced to the ideological cleavages between the insiders in OME-OTE and outsiders in new competitors. Extending membership to include outsiders could be threatening for OME-OTE's established political factions. In other words, the unionists in OME-OTE perceived the employees in new competitors along an ideological template of ‘us-and-them’. Knowing that the majority of employees in new competitors were either militants leftist or apolitical, accepting them as members would upset the internal

political balance in the union. As the dualization literature predicts, conserving those narrow organizational interests intensified the cleavages between insiders and outsiders in the sectoral labour market (Davidsson and Emmenegger 2013).

6. Discussion and Conclusion

This article set out to answer the question: under what conditions are unions and employers able to overcome their differences in interests, and form the coalitions necessary to establish centralized bargaining? Much of the literature on institutional change in advanced market economies has focused on bargaining decentralization in established industries, and on dualization and centralization through social pacts. Even so, there are many new industries in these countries that did not have sectoral bargaining structures, where unions could potentially build these structures.

Existing literature on dualization has emphasized insider unions' choice to protect their core members (Davidsson and Emmenegger 2013; Hassel 2014; Palier and Thelen 2010) or the difficulties that past union and collective bargaining structures posed for them in extending their representation domain (Doellgast 2009; Holst 2014). Both Italian and Greek sectors had strong insider unions interested in protecting their core members, and past bargaining structures focused on enterprise bargaining. Nevertheless, competing unions in Italy appeared able to centralize bargaining and include outsiders, whereas the unitary union in Greek telecommunications accepted dualization, exacerbating the insider-outsider cleavage.

Additionally, past research has examined the role of the state either in steering neo-corporatist revival through social pacts (Avdagic 2010; Baccaro and Lim 2007;

Hamann and Kelly 2007) or in extending centralized collective agreements to new industry entrants (Doellgast *et al.* 2009)(Anonymous). The Greek and Italian governments were keen on restructuring their incumbents and make them 'fit' for privatization and liberalization, but there was no evidence that the role of the state was important in the centralization of bargaining. In fact, the Italian Minister of Labour was negative on the inclusion of outsider call-centre workers in the sectoral agreement.

Finally, centralization through social pacts has been attributed to moderate union leadership (Baccaro and Lim 2007). However, moderate union leadership appeared to be present in both incumbents' unions, as both OME-OTE and Telecom Italia unions made concessions to facilitate the incumbents' downsizing as part of their enterprise collective agreements. Overall, these insights appear unable to fully explain the different strategic choices of unions and the diverse outcomes in the two cases. The evidence from the case studies suggested that the different outcomes are not only explained by past union and collective bargaining structures, but also by the role of ideology in unions' strategic choices and the legacies of employers' associability.

Italian unionists appeared able to collaborate and carve out joint strategies without letting historical ideological differences to get on the way. This behaviour is traced back to the different evolution in the relationship between trade unions and political parties since the early 1990s (after *Tangentopoli*). Unlike their Greek counterparts, the Italian unions distanced themselves from traditional political parties and there was no clear alignment between the new political parties and the union confederations. As far as their motives are concerned they sought to protect employees at large (and not just

their core members) from a ‘race to bottom’ in wages; or to ease out the social costs of adjustment to business restructuring with ‘social shock absorbers’ (*cassa integrazione*). In the sectoral agreement, they sought to regulate the extent of atypical contracts, thus tempering the extent of dualization. Finally, the unitary workplace structures (RSUs) in new competitors were influential in extending coverage to call-centre employees. This institution supported overcoming cleavages in Italy, but there was a lack of this same institutional structure in Greece.

The other part of the answer lies in the institutional and legal differences as regards employer associability in Italy and Greece, which is rather downplayed in existing literature. A fundamental difference in the two cases is that the Italian employers’ associations could bargain from the start on behalf of their members. Confindustria was critical in intermediating the different regulatory interests between the incumbent and new competitors/smaller firms. Admittedly, employers’ associability in Italy might appear as a function of unions’ pressure. But this stumbles upon the collective action problem (Olson 1971). Given different regulatory interests, employers should not be expected to associate automatically when faced with union pressures. Instead, the historical perspective suggests that the ability of employers to protect their collective interests (Schmitter and Streeck 2011) in the Italian case can be traced back to a legacy of employer associability in the public sector through *Intersind*. Thus, the diverse business interests of new competitors and the incumbent were reconciled on the common ground of pursuing ‘fair competition’ via centralization of bargaining.

In Greek telecommunications, the path is more similar to that predicted by dualization theorists, and suggests the importance of past bargaining norms and union structures

(Doellgast *et al.* 2009). Enterprise-focused bargaining in ex-public sector enterprises survived after liberalization. Additionally, the absence of employer associability is evident in the Greek case. The existing business associations were segmented along the large firms vs. small firms axis and also focused on narrow regulatory issues. SEPE represented big telecommunications providers, whereas SATPE represented smaller telecommunications firms. Thus, the prospect of having an association able to intermediate effectively the interests of both small and large firms, as the Italian ASSTEL, was unlikely. This resulted in a product market environment characterised by price wars and ‘cut-throat competition’.

In conclusion, the case studies suggest the importance of cooperation on both employer and union side to building encompassing institutions. However, that cooperation was never taken for granted, it was constantly contested and renegotiated through an interplay of institutional path dependencies and actors’ strategic choices. The Greek case is one characterized by both divided employers and unions (with cleavages persisting over time); while the Italian case shows how both groups can start out as being more divided, but overcome this. The article also suggests the generalizable institutional conditions facilitating (or hindering) that cooperation: namely, the interplay between different strategic choices of unions and legacies in employer associability. These conditions explain divergent paths of inclusive bargaining versus dualization. In the Italian telecommunications sector the unions shaped the new environment by extending coverage and inclusion of outsiders, thus, tempering dualization. The maintenance of labour unity is traced back to the political rapprochement of con-federal unions, whereas employer associability is traced back to Intersind’s incorporation by Confindustria. By contrast, in the Greek

telecommunications sector, the unions were divided along ideological cleavages and this hindered a coordinated sectoral approach, whereas employers were segmented along narrow business associations. These cleavages on either side provided limited motivation to centralize bargaining, and intensified the labour market dualization between insiders and outsiders.

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